

Coal Staff Superannuation Scheme Trustees Limited

UK Stewardship Code Compliance Statement

The Trustees of the British Coal Staff Superannuation Scheme (BCSSS) support the UK Stewardship Code. The Trustees believe that widespread adoption of good Corporate Governance practice will improve the quality of management and, as a consequence, is likely to increase the returns available to long term investors.

BCSSS Trustees have appointed Hermes Equity Ownership Services (EOS) to assist in fulfilling its fiduciary responsibilities as a long term shareholder. BCSSS believes that oversight of its equity shareholdings by Hermes EOS and also and where appropriate, by the fund managers that it employs, enables it to implement a high standard of stewardship on behalf of the beneficiaries of the scheme.

How BCSSS discharges its stewardship responsibilities

Hermes EOS has an experienced multinational and multicultural team which specialises in corporate engagement and undertakes stewardship work internationally, while the investment managers that take direct responsibility for engagement and stewardship activities are also experienced in doing so.

The engagement work with investee companies on behalf of BCSSS is aimed at achieving sustainable investment returns through the promotion of long term responsible business strategies. Engagements undertaken on behalf of BCSSS are guided by BCSSS's Corporate Governance Policy which can be found at <http://www.bcsss-pension.org.uk/> and those undertaken by Hermes EOS are also guided by the Hermes Responsible Ownership Principles which can be found at

http://www.hermes.co.uk/Portals/0/The_Hermes_Ownership_Principles.pdf

Hermes EOS and the investment managers monitor company performance on issues relevant to long-term value on an ongoing basis. Such issues include: corporate strategy and governance; capital structure; board structure; directors' pay; social, environmental and ethical matters; and risk management.

Through Hermes EOS, BCSSS also promotes effective regulation in the markets in which it invests to encourage governance structures that facilitate the accountability of companies to their owners, to give companies the certainty they need to plan for the future and to promote a level competitive playing field, which enables companies to prioritise long-term profitability.

Policy on Collective Engagement

By appointing Hermes EOS to enhance the level of engagement undertaken with investee companies, BCSSS has signalled its commitment to the benefits of collective shareholder engagement. Hermes EOS represents BCSSS at many national, regional and global organisations and seeks to enhance its effectiveness by working collaboratively with other institutions by pooling together long term investors' resources so as to protect and enhance shareholder value.

Voting

BCSSS takes measures through Hermes EOS to ensure that its holdings are voted consistently, across its portfolios. Voting decisions are based on an analysis of publicly available information and take account of a company's individual circumstances. Hermes EOS informs companies where it has concerns and seeks to resolve these prior to taking the decision to vote against a resolution. In this way, it deploys BCSSS's votes as a lever for positive change at companies.

In reaching decisions on how to vote, Hermes EOS implements BCSSS's Corporate Governance Policy. Hermes EOS also takes account of its own regional voting guidelines which can be found at

<http://www.hermes.co.uk/eos/Literature/PolicyDocuments/tabid/240/language/en-GB/Default.aspx> and which have been reviewed by BCSSS.

Reporting

Summarised historic voting information is included at <http://www.bcsss-pension.org.uk/>. We disclose this quarterly in arrears so as to avoid compromising dialogue with companies in our portfolios, whilst being fully transparent and accountable.

We also disclose, on a quarterly basis, summary details of the engagements undertaken by Hermes EOS with companies in which BCSSS is invested.

Conflicts of Interest

BCSSS has developed policies to identify, manage and disclose any potential conflicts of interest that may arise in relation to the stewardship of its investments. Hermes EOS also has its own conflicts of interest policy that explains how it manages conflicts on the BCSSS's behalf, which can be found at

http://www.hermes.co.uk/Portals/8/Conflicts_of_interest_policy.pdf

For more information on our stewardship activities please contact Gerry Lane, Chief Operating Officer.